

**Koralaipattu Pradeshiya Sabha
Baticoloa District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been submitted to audit on 23 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman of the Sabha on 13 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Koralaipattu Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Rs. 23,143,962 and Rs 41,367,764 had been spent for the construction of the roads for the year under review and previous year. The Remaining Rs. 64,511,726 had been shown under fixed asset in the financial statements.

1.3.2 Accounts Receivable

Rs. 369,771 to be collected of the loans given to 11 employees who left the posts, retired, and died 12 years ago, but no action had been taken to recover it from relevant persons or collaterals, and it has been consistently showing up in the financial statements.

1.3.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliances with laws, rules, and regulations during the audit were observed below.

Relating to Laws, and Rules, etc

Non-compliance

(a) Predeshiya Sabha Financial
Administration Rules 15 of 1987

(i) Chapter 1 of 5 (XII)

No bond had been obtained from two officers involved in the payment of cash, stores and cheques.

(ii) Chapter X of 193

Actual annual Income and Expenditure details for the year, compared to the Budget and explanation of contradiction statement had not been prepared and furnished to Audit.

(b) Financial Regulation 1645 and 1646

The daily running charts with the monthly performance summaries of Sabha's vehicle should be submitted to the Auditor General on 15th of the following month but the running charts and monthly performance summaries of Sabha's vehicles had not been submitted to the Auditor General.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.18,638,507as compared to this the excess of revenue over recurrent expenditure for the previous year amountedRs.27,630,462 thus indicating a deterioration of Rs. 8,991,955 in the financial results.

2.2 Working Capital Management

According to the cash books being maintained by the Sabha the cash balance at the end of each month during the year over Rs. 30 million. As no action had been taken to invest them in income generative activities, the Sabha is losing approximately Rs 3.3 million per annum.

2.3 Revenue Management

2.3.1 Stamp Fees

No action had been taken to recover the arrears of stamp fees amounted to Rs. 15,208,067 due from the Registrar General for the current and previous year until 31 May 2018.

2.3.2 Rent Arrears

The rent arrears of Rs. 6,552,700 of clothing station I,II and car parking in Pasikuda due to be collected from 2013 to 2017, but no action had been taken to collect it.

3. Performance Review

3.1 Performance

Sustainable Development Goals

According to resolutions at the 2015 Sustainable Development conference chaired by the Head of States of United Nations, no action had been taken to develop measurable indicators for the development Agenda to be achieved by the Sabha by 2030.

3.2 Management Inefficiencies

The following matters were observed.

- (a) The Clothing Station I and II were leased in 2016 when Rs 673,500 has to be paid by the tenant, again the clothing centre I and II had been leased to him in 2018, without collecting the amount of outstanding.
- (b) According to Section 149 of 15 Predeshiya Sabha Act of 1987 to be charged 1% levy of their gross income from the hotels which registered with the Tourist Board, but the levy from 14 leading hotels in Pasikuda area had not been charged till 31 May 2018.
- (c) Of the 1895 babies born in the hospital, 261 were born under weight at authoritative area of the Sabha. in 2017 even though Rs. 50,000 was allocated in the budget for maternal and child welfare by the sabha, but Rs 30,450 had been spent for dengue eradication. Further of the 1308 babies born in 2016, 166 were born underweight. Even though Rs. 150,000 was allocated in the budget for health care, maternal and child care by the Sabha but, Rs 63,850 had been spent on overseeing the other project.
- (e) An agreement was signed with a value of 6,290,000 on 15 October 2015 to construct a new market building on the land belonging to the Sabha. However, after the contractor had completed the construction work worth Rs 924,053 the construction work was abandoned by the contractor as the land was claimed to belong to someone else in the area. However, no action had been taken by the Sabha to take appropriate action and initiate the construction work on the land.
- (f) No action had been taken by the Sabha during the year under review or in preceding year to identify and mark their own lands.

3.3 Human Resources Management

The following issues were observed.

- (a) According to Public Administration Circular No. 25/2014 dated 12 November 2014 when recruiting employees on a temporary/casual and contract basis, must be recruited after obtaining prior approval and approval for appropriate funding from the Department of Management Service. However without getting prior approval of the Department of Management Services and approval for funding a total of 63 employees had been recruited including 15 employees in 2015 and 48 employees in 2017 on temporary and contract basis.
- (b) According to Pension Department Circular No 02/2011 Dated 24 February 2011, 8% contribution shall be deducted from the employees who are admitted on a temporary/casual basis and 12% contribution of local Government must be sent to the Public Service Provident Fund, but the contribution fund had not been remitted to the 63 employees recruited over the years.

3.4 Contact Administration

Laying Gravel to Roads

When the local authorities are setting up the roads, implementing of development project under the capital fund as per paragraph 1.2 of the Circular dated 30 December 2015 of the Finance Commission , it was advised that the carpet road, tar road, or concrete road should be put instead of graveling road to be used for longer period, despite of that a total of Rs.5,181,100 had been spent by the Sabha to put-up gravel roads to 3 roads.

4. Accountability and Good Governance

4.1 Unresolved Audit Paragraphs

Due to the failure in taking over and maintaining a land in extent of 14 perch that was donated by a well-wisher to the Sabah on 06 July 1980 by Deed No. 4772, the land is encroached and being utilised by private parties. Even though it was revealed in our previous audit report no legal action had been taken by the Sabah in respect of this till to date.

5. Systems and Controls

Special attention is needed in respect of the following systems and control areas.

Controls	Observation
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(a) Revenue Management	Action should be taken to collect the income arrears.
(b) Contract Administration	. Action should be taken accordance with the provisions of the Circular No. 2016/01 of the Finance Commission when construction of roads.
(c) Assets	Action should be taken to identify and mark the lands owned to the Sabha.